

Please date stamp and return the enclosed postcard evidencing receipt of these materials.

Applicants request reconsideration of the claims.

Please enter the following amended paragraphs to the Specification:

[0003] It is well established in the literature of finance that the internal rate of return (IRR) of an investment is calculated by  $IRR = r$  where

$$\left[ \left[ \sum_{i=1}^n \frac{CF_i}{(1+r)^i} = 0 \right] \right]$$

$$\sum_{i=0}^n \frac{CF_i}{(1+r)^i} = 0$$

[0004] It is also common knowledge in the finance industry and literature that the discount rate for actual IRR ( $r$ ) and the discount rate for pro forma IRR ( $r_{pf}$ ) are the same when all cash flows of an investment are multiplied by a constant  $k$ :

$$r = r_{pf} \text{ where } \left[ \left[ \sum_{i=1}^n \frac{kCF_i}{(1+r_{pf})^i} = 0 \right] \right]$$

$$\sum_{i=0}^n \frac{kCF_i}{(1+r_{pf})^i} = 0$$

[0007] Another technical definition of IRR is the discount rate required to make the positive cash flows (PCF) resulting from the investment equal to the negative cash flows (NCF) expended in acquiring the investment:

$$\left[ \left[ \sum_{i=1}^n \frac{NCF_i}{(1+r)^i} = \sum_{i=1}^n \frac{PCF_i}{(1+r)^i} \right] \right]$$

$$\sum_{i=0}^n \frac{NCF_i}{(1+r)^i} = \sum_{i=0}^n \frac{PCF_i}{(1+r)^i}$$

[0008] It is therefore mathematically obvious that

$$\left[ \left[ \sum_{i=1}^n \frac{kNCF_i}{(1+r)^n} = \sum_{i=1}^n \frac{kPCF_i}{(1+r)^n} \right] \right]$$

$$\underline{\sum_{i=0}^n \frac{kNCF_i}{(1+r)^i} = \sum_{i=0}^n \frac{kPCF_i}{(1+r)^i}}$$

[00017] In a diversified portfolio setting, although the IRR of *each investment* is unchanged when all its cash flows are multiplied by a constant, multiplying or dividing each of the  $i$  period cash flows of each of  $j$  investments in a portfolio of  $m$  investments by a scaling factor  $f_s$  changes the IRR of the *portfolio* to a constant value ~~IRR<sub>k</sub>~~ IRR<sub>k</sub> while leaving the IRR[ $[:,j]$ ] of each investment unchanged. Thus,

$$IRR_k = r_{pf} \text{ where } \left[ \left[ \sum_{i=1}^n \frac{\sum_{j=1}^m f_j CF_{i,j}}{(1+r_{pf})^n} = 0 \text{ and } f_s = \frac{k}{\sum_{i=1}^n NCF_j} \right] \right]$$

$$\underline{\sum_{i=0}^n \frac{\sum_{j=1}^m f_j CF_{i-i_0,j}}{(1+r_{pf})^{i-i_0}} = 0 \text{ and } f_j = \frac{k}{\sum_{i=0}^n NCF_{i,j}}}$$

**[00026]** II. As mentioned in the Background Section above, the so-called ~~time-zero~~ time-zero IRR calculation restates all the investments in a portfolio to a common start date. The portfolio effect is to eliminate the relative timing of each of the investments in determining portfolio IRR. For example, using the same investment figures as the *Actual* numerical example above:

Please enter the following amended claims.

1. (currently amended) A process for ~~evaluating performance attribution~~ determining a numerical value of a manager's performance in a private portfolio comprising:

(a) determining an internal rate of return for the private portfolio by scaling the portfolio to a neutral weight portfolio with a common start date that is the earliest start date in the portfolio;

(b) determining an internal rate of return for the private portfolio with actual investment weights with a common start date that is the earliest start date in the portfolio;

(c) determining an internal rate of return for the private portfolio scaled to a neutral weight with actual start dates;

(d) determining an internal rate of return for the private portfolio with actual weights and actual start dates;

(e) algebraically combining the ~~returns~~ internal rates of return of steps (a) - (c) to determine a manager's return; and

(f) subtracting the manager's return from ~~the a~~ portfolio index to ~~determine performance attribution~~ produce a numerical value of the manager's performance,

wherein the portfolio index is the internal rate of return of a neutral-weight portfolio with zero-based start date.

2. (currently amended) A computer system for ~~evaluating performance attribution~~ determining a numerical value of a manager's performance in a private portfolio comprising:

(a) means for determining an internal rate of return for the private portfolio by scaling the portfolio to a neutral weight portfolio with a common start date that is the earliest start date in the portfolio;

(b) means for determining an internal rate of return for the private portfolio with actual investment weights with a common start date that is the earliest start date in the portfolio;

(c) means for determining an internal rate of return for the private portfolio scaled to a neutral weight with actual start dates;

(d) means for determining an internal rate of return for the private portfolio with actual weights and actual start dates;

(e) means for algebraically combining the returns of steps (a) - (c) to determine a manager's return; and

(f) means for subtracting the manager's return from ~~the~~ a portfolio index to ~~determine performance attribution~~ produce a numerical value of the manager's performance,

wherein the portfolio index is the internal rate of return of a neutral-weight portfolio with zero-based start date.

3. (currently amended) A computer system ~~adapted to evaluate performance attribution for~~ determining a numerical value of a manager's performance in a private portfolio comprising:

a processor and

a memory including software instructions adapted to enable the computer system to perform:

(a) determining an internal rate of return for the private portfolio by scaling the portfolio to a neutral weight portfolio with a common start date that is the earliest start date in the portfolio;

(b) determining an internal rate of return for the private portfolio with actual investment weights with a common start date that is the earliest start date in the portfolio;

(c) determining an internal rate of return for the private portfolio scaled to a neutral weight with actual start dates;

(d) determining an internal rate of return for the private portfolio with actual weights and actual start dates;

(e) algebraically combining the returns of steps (a) - (c) to determine a manager's return; and

(f) subtracting the manager's return from ~~the~~ a portfolio index to ~~determine performance attribution~~ produce a numerical value of the manager's performance,

wherein the portfolio index is the internal rate of return of a neutral-weight portfolio with zero-based start date.